



TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
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MEMORANDUM FOR EXEMPT ORGANIZATIONS
RULINGS AND AGREEMENTS EMPLOYEES

FROM: Jeffrey I. Cooper /s/ *Jeffrey J. Cooper*
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SUBJECT: Interim Guidance on Case Processing Requirements for Applications
from Canadian Charities

This memorandum clarifies Exempt Organizations (EO) Determinations procedures for processing applications from Canadian charities requesting a ruling on foundation status.

Background/Source(s) of Authority

Internal Revenue Manual (IRM) 7.20.4.4.1.1.1 states Canadian charities registered by the Canada Revenue Agency (CRA) are automatically recognized as tax exempt under the United States-Canada Income Tax Convention (Treaty). A Canadian charity may request a ruling on foundation status and to be listed on EO Select Check by submitting the necessary information.

IRM 7.20.6.2.1.2 states that an organization indicating that it will make grants or conduct activities in a foreign country, especially a country where there is war and civil unrest, presents a higher risk of terrorism financing and that the organization's assets are at higher risk for diversion to finance terrorism, regardless of the organization's intent. Procedures outlined in the IRM require EO Determinations specialists to secure certain information from such organizations and complete Form 14503, *Potential Terrorism Connection Checksheet*, (except if the grants or activities are indicated on Form 1023-EZ – see IRM 7.20.9).

The Instructions for Form 1023, *Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code*, state Canadian organizations who have received a Notification of Registration from the Canada Customs and Revenue Agency and whose registrations have not been revoked are automatically recognized as section 501(c)(3) organizations and are not required to file Form 1023. Canadian registered charities are presumed to be private foundations and must complete certain parts of Form 1023 in order to request classification as a public charity.

CRA Guidance CG-017, General Requirements for Charitable Registration, states, "All charities must comply with Canada's anti-terrorism legislation, including those contained in the Criminal Code of Canada. Charities are responsible for ensuring that they do not operate in association with individuals or groups that are engaged in or support terrorist activities. This applies whether or not the entity is listed under the Criminal Code of Canada."

This memorandum clarifies that, for purposes of IRM 7.20.6.2.1.2, Form 14503, *Potential Terrorism Connection Checklist*, does not have to be completed for Canadian charities registered by the CRA that are requesting a ruling on foundation status.

Procedural Change

Because Canadian charities registered by the CRA are automatically recognized as 501(c)(3) organizations pursuant to the treaty, and because those organizations must comply with anti-terrorism rules in order to be registered by the CRA, EO Determinations employees are not required to follow the procedures described in IRM 7.20.6.2.1.2 for Canadian charities registered by the CRA that are requesting a ruling on foundation status.

IRM 7.20.6.2.1.2 continues to apply to other organizations that indicate they will make grants or conduct activities outside the 50 states, the District of Columbia, or a U.S. territory. Additionally, EO employees will continue to check **all** determination letter requests against the Comprehensive List of Terrorists and Groups (CLTG) for any matching information as described in IRM 7.20.6.2.1.1.

Effect on Other Documents

This guidance will be incorporated into IRM 7.20.6 by March 22, 2019.

Effective Date

March 22, 2017

Contact

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